

LOUISIANA RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT

Year Ended June 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 26 2012

## **CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>3-4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>5</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>6</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8-13</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>14</b>
<b>SUPPLEMENTAL INFORMATION</b>	
<b>SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>15</b>
<b>SCHEDULE OF INDIRECT EXPENSES</b>	<b>16</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>17-18</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	<b>19-20</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>21</b>



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Management  
Louisiana Rural Water Association, Inc.  
Kinder, LA

December 7, 2012

We have audited the accompanying statement of financial position of Louisiana Rural Water Association, Inc. (a nonprofit organization), as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Louisiana Rural Water Association, Inc.'s 2011 financial statements and, in our report dated November 3, 2011; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Rural Water Association, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of Louisiana Rural Water Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Louisiana Rural Water Association, Inc.  
December 7, 2012

Our audit was conducted for the purpose of forming an opinion on the financial statements of Louisiana Rural Water Association, Inc., taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gragson, Casiday & Guillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2012

	2012	2011
<b>ASSETS</b>		
Current Assets		
Cash	\$ 464,457	\$ 509,284
Investments	206,180	200,268
Accounts receivable	135,063	155,356
Prepaid expenses	30,122	38,314
Total Current Assets	<u>835,822</u>	<u>903,222</u>
Fixed assets, at cost (net of accumulated depreciation of \$720,432 for 2012)	<u>622,725</u>	<u>643,520</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,458,547</u></u>	<u><u>\$ 1,546,742</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 99,325	\$ 66,774
Deferred income	159,231	162,836
Vacation and sick leave payable	282,461	323,596
Note payable	70,575	149,903
Total Current Liabilities	<u>611,592</u>	<u>703,109</u>
Net Assets		
Unrestricted	<u>846,955</u>	<u>843,633</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,458,547</u></u>	<u><u>\$ 1,546,742</u></u>

The accompanying notes are an integral part of these financial statements.

**LOUISIANA RURAL WATER ASSOCIATION, INC.**

**Statement of Activities**

**Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<b>REVENUES AND RECLASSIFICATIONS</b>				
Grants	\$ 1,286,497	\$ -	\$ 1,286,497	\$ 1,559,356
Grants - FEMA	-	-	-	89,157
Membership fees	250,965	-	250,965	258,025
Conference income	212,705	-	212,705	188,017
Training income	65,421	-	65,421	74,705
Advertising income	40,111	-	40,111	35,328
Interest income	8,923	-	8,923	10,216
Other income	50,633	-	50,633	68,471
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
<b>Total Revenues and Reclassifications</b>	<u>1,915,255</u>	<u>-</u>	<u>1,915,255</u>	<u>2,283,275</u>
<b>EXPENSES</b>				
General and administrative	536,967	-	536,967	532,392
Federal program subsidies	32,817	-	32,817	62,306
Program services:				
LA - WARN	2,084	-	2,084	151
E.P.A.	48,163	-	48,163	237,172
Circuit rider - National Rural Water	371,433	-	371,433	306,206
ARRA - National Rural Water	-	-	-	121,006
Wastewater - National Rural Water	227,316	-	227,316	219,165
Energy	506,870	-	506,870	494,348
Compliance initiative	40,658	-	40,658	79,049
Drinking water - USDA	105,625	-	105,625	100,652
Capacity Development Training	40,000	-	40,000	-
<b>Total Expenses</b>	<u>1,911,933</u>	<u>-</u>	<u>1,911,933</u>	<u>2,152,447</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	3,322	-	3,322	130,828
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>843,633</u>	<u>-</u>	<u>843,633</u>	<u>712,805</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 846,955</u>	<u>\$ -</u>	<u>\$ 846,955</u>	<u>\$ 843,633</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2012

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 3,322	\$ 130,828
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	44,735	41,300
Unrealized (gain) loss on investments	1,028	1,455
(Increase) decrease in assets		
Accounts receivable	20,293	93,608
Prepaid expenses	8,192	15,855
Increase (decrease) in liabilities		
Accounts payable	32,551	(39,903)
Deferred income	(3,605)	9,093
Vacation and sick leave payable	(41,135)	(47,912)
Net cash from operating activities	<u>65,381</u>	<u>204,324</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments and noncash equivalents	(64,741)	(11,139)
Purchase of fixed assets	(23,940)	(41,141)
Payments on debt borrowings	(79,328)	(76,964)
Net cash used by investing activities	<u>(168,009)</u>	<u>(129,244)</u>
Net increase (decrease) in cash equivalents	(102,628)	75,080
Cash equivalents - beginning of year	<u>350,450</u>	<u>275,370</u>
Cash equivalents - end of year	<u>\$ 247,821</u>	<u>\$ 350,450</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 6,415</u>	<u>\$ 10,749</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Louisiana Rural Water Association, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$47,109 was recognized in the current year. Current grant agreement runs through August 31, 2011.

Circuit Rider - National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$328,850 was recognized in the current year. Current grant agreement runs through October 31, 2012.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$222,542 was recognized in the current year. Current grant agreement runs through July 31, 2012.

Energy - "Rural Water Energy Conservation Program". Revenue of \$498,828 was recognized in the current year. Current grant agreement ran through June 30, 2012.

Very small water system - To provide training for very small water system's operators. Revenue of \$10,800 was recognized in the current year. Current grant agreement runs through June 30, 2012.

Continued



LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$97,732 was recognized in the current year. Current grant agreement runs through March 31, 2013.

Louisiana Compliance Initiative - To provide training and technical assistance in compliance with drinking water regulations. Revenue of \$40,658 was recognized in the current year. Current grant agreement runs through September 30, 2012.

Capacity Development - To provide on-site technical assistance and training for public water systems. Revenue of 39,979 was recognized in the current year. Current grant agreement runs through June 30, 2012.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2012 of \$135,063 represents receivables from the federal and state grants.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$3,986 for 2012.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2012, the carrying amount was \$464,457 and the bank balance was \$488,218. Of the bank balance, \$488,218 was covered by federal depository insurance and government securities.

Continued

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. The fair value is obtained from monthly investment statements. Investments as of June 30, 2012 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Liberty Mutual Fund for U.S. Government Securities	<u>\$ 215,904</u>	<u>\$ 206,180</u>	<u>\$ 206,180</u>

The following schedule summarizes the investment returns and their classification in the statement of activities for the year ended:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest earned	\$ 6,940	\$ -	\$ 6,940
Unrealized loss	(1,028)	-	(1,028)
Net investment return	<u>\$ 5,912</u>	<u>\$ -</u>	<u>\$ 5,912</u>

Prepaid Expenses

Prepaid expenses of \$30,122 at June 30, 2012 represent mostly July 2012 conference expenses paid at year end.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service, 15 days after five years of service and 20 days after 20 years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$41,190 at June 30, 2012.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$241,271 at June 30, 2012.

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Continued

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reconciliation of cash and cash equivalents at June 30, 2012 is as follows:

Cash Equivalents	\$ 247,821
Noncash Equivalents	<u>216,636</u>
Total Cash	<u>\$ 464,457</u>

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through December 7, 2012, the date the financial statements were available to be issued.

NOTE B - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 698,891
Equipment	<u>644,266</u>
	1,343,157
Less accumulated depreciation	<u>720,432</u>
	<u>\$ 622,725</u>

Fixed Assets are stated at cost. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2012 was \$44,735.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2012

NOTE C - NOTE PAYABLE

Note payable at June 30, 2012 consisted of the following:

Note payable to Jeff Davis Bank dated July 22, 2008, payable on demand or in 59 monthly installments of \$2,778, with a balloon payment of remaining balance, including interest at 5.5%, maturity of July 22, 2013, collateralized by real estate \$ 70,575

The maturities are as follows:

<u>Year ending</u>	
June 30, 2012	\$ 70,575

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE E - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE F - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

NOTE G - RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2012 was \$54,060.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2012

NOTE H – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

NOTE I – FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis.

FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	<u>Quoted prices in Active markets Identical assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Short-term investments:				
U.S. Government Securities	<u>\$ 206,180</u>	<u>\$ -</u>	<u>\$ 206,180</u>	<u>\$ -</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grantor/Pass- Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Disburse- ments/ Expenses</u>
U.S. Department of Agriculture Passed through National Rural Water Association, Inc. Wastewater technical assistance	10.761	-	\$ 222,542
<u>Other Federal Awards:</u>			
U.S. Department of Agriculture Passed through National Rural Water Association, Inc. Circuit Rider	10.761	-	328,850
U.S. Department of Environmental Protection Agency Passed through National Rural Water Association, Inc. Source water	66.202	-	97,732
Ground water/wellhead protection	66.202	-	47,109
Passed through State of Louisiana Department of Health and Hospitals Capacity Development Training	66.468	-	<u>39,978</u>
TOTAL FEDERAL AWARDS			<u>\$ 736,211</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Rural Water Association, Inc and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Louisiana Rural Water Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Louisiana Rural Water Association, Inc.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2012

	2012	2011
Advertising	\$ 3,986	\$ -
Conference - other	12,919	4,621
Conference - LRWA	136,145	128,193
Depreciation	-	22
Dues	11,745	8,108
Employee benefits	21,340	3,142
Indirect expenses - Internal	129,195	105,600
Indirect expenses - unallocated excess	72,498	87,293
Miscellaneous	22,220	21,363
Newsletter	39,643	48,130
Office expense	2,510	32
Public relations	12,810	12,688
Research fund contribution	3,500	3,500
Retirement	1,313	1,723
Rural water rally	13,001	18,248
Salaries	5,299	29,898
Scholarship	4,000	4,500
Taxes - payroll	1,538	2,177
Training	38,617	47,918
Travel	4,688	5,236
	<u>\$ 536,967</u>	<u>\$ 532,392</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2012

	2012	2011
Board members expenses	\$ 351	\$ 3,153
Depreciation	18,041	18,092
Employee benefits	51,606	52,652
Equipment lease	14,015	13,190
Insurance	10,482	8,549
Interest	6,415	10,749
Office supplies	16,305	18,513
Miscellaneous	728	636
Postage	5,401	4,754
Professional fees	12,439	15,715
Repairs and maintenance	3,200	4,688
Retirement	19,987	19,498
Salaries	285,531	278,544
Taxes - payroll	22,574	21,932
Telephone	24,792	23,469
Training	12	804
Travel - Administrative	44,477	42,895
Travel - Board	26,435	34,025
Utilities	8,760	8,946
	<u>\$ 571,551</u>	<u>\$ 580,804</u>





**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

December 7, 2012

We have audited the financial statements of Louisiana Rural Water Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Louisiana Rural Water Association, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Louisiana Rural Water Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Louisiana Rural Water Association, Inc.  
December 7, 2012

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gragson, Casiday & Guillory*



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

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JULIA W. PORTUS, C.P.A.  
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JACKLYN BRANOFF, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

December 7, 2012

Compliance

We have audited the compliance of Louisiana Rural Water Association, Inc. with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement" that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Louisiana Rural Water Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Louisiana Rural Water Association, Inc.'s management. Our responsibility is to express an opinion on Louisiana Rural Water Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louisiana Rural Water Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Louisiana Rural Water Association, Inc.'s compliance with those requirements.

In our opinion, Louisiana Rural Water Association, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Louisiana Rural Water Association, Inc.  
December 7, 2012

Internal Control Over Compliance

Management of Louisiana Rural Water Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Louisiana Rural Water Association, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Rural Water Association, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gragson, Casiday & Guillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

I - Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? ☐ yes ☒ no
- Control deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number  
10.761

Name of Federal Program  
Wastewater Technical Support

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

II - Financial Statement Findings

- None

III - Federal Award Findings and Questioned Costs

- None

IV - Prior Year Findings

- None